

Seoul
Toward a Regional Hub City
in the Northeast Asia

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Introduction

Seoul, as many cities do, aspires to become a global city. Seoul, more than 600 years old capital city, is the center of political, economic and cultural affairs in Korea. With its centrality in the Korea, Seoul is expected to play a major role in leading the nation in the globalization era.

The key question is what kind of global city it wants to be: New York, L.A. or London? It is hard to imagine Seoul becoming a second New York or London in the foreseeable future (even if it adopts global financial norms and standards). Why? Seoul is not and probably will not be a standard setter in global finance in the near future. Instead, it has a better chance to become a regional hub city in Northeast Asia. Actually, Seoul is already embarked on a path toward a regional hub city—a business hub in Northeast Asia.

In terms of economic size and trade volume, Northeast Asia is comparable to the European Union and North American Free Trade Agreement. Northeast Asia's economy now account for more than 20% of the world economy. There are projections that in the next 20 years, Northeast Asia will account for more than 30% of the world economy and more than 40% of world's freight transport. Given the growth potential of Northeast Asian economies, many experts predict a tri-polar structure of the world economy in the future (i.e., EU, North America and Northeast Asia)(Bergsten 2001). The opening and rise of China is a factor behind increased awareness of regionalism in Korea. China's economic growth in the last two decades was remarkable, surpassing Japan and even Korea. In GDP terms of purchasing power parity, the Chinese economy is bigger than the Japanese economy and second to the U.S.

Seoul toward a Regional Hub City

Given the small size of the Korean economy, Seoul cannot yet claim its centrality in Northeast Asia. Korea's GDP is about 10% of Japan's and 40% of China's GDP. Although the Korean government continues to take deregulation measures after 1997 financial crisis, Seoul is still perceived to be relatively closed in comparison with other leading Asian cities such as Japan, Hong Kong and Singapore (Seoul Development Institute and Nomura Research Institute, 2003). Seoul should regionalize its economy so as to function as one of the centers of emerging urban networks in Northeast Asia and the world. Such a need is clearly recognized in Seoul. The Korean

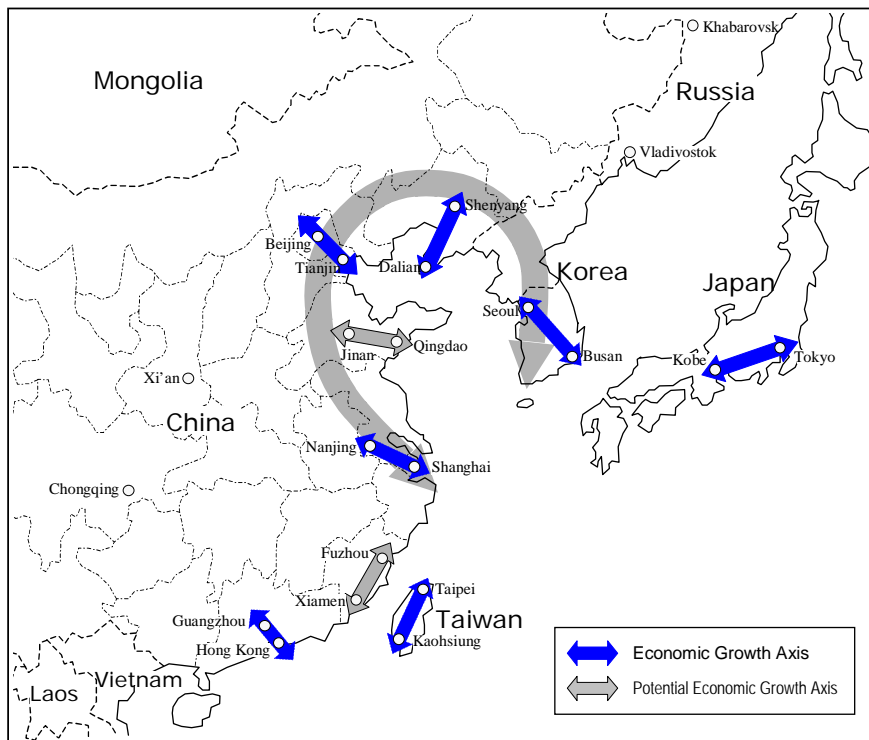
government is also currently developing a strategy to make the Seoul as a business hub in Northeast Asia.

The business hub idea includes two sub-concepts: one is logistics hub and the other is a business hub of regional headquarters of multinational firms. The possibility of a logistics hub is based on the transshipment and transfer functions of Korea's major seaports and airports. Busan port is the third largest container port in the world (American Association of Port Authorities, <http://www.aapa-ports.org>, 2002). The growth potential in transshipment is high due to China's increasing foreign trade. Incheon airport also has growth potential since travel demand between China and North America is rapidly rising (Airports Council International, <http://www.airports.org>). The high-speed rail opened in 2004 is another key element in integrated transport services, which can be extended to China, Russia, Japan, and eventually Europe.¹

The less articulated vision of regional headquarters is to make Seoul (more precisely the Seoul Metropolitan Area) as a business center in Northeast Asia. Presently, Hong Kong serves as a major regional center of multinational companies. Shanghai may also be aspiring to become a center. Seoul is in an inferior position compared to Tokyo in terms of financial control. Moreover, Seoul cannot compete with Shanghai or Beijing in manufacturing capacity because Seoul's economy is now centered on the service sector. Then, how can Seoul claim its centrality in Northeast Asia?

There are two avenues for Seoul to enhance its centrality: one is regional networking and the other is functional specialization. In terms of regional networking, Seoul has a definite advantage over other cities in Northeast Asia. Within three-hour flight duration from Seoul, there are more than 30 cities with populations over one million. Some of these city regions form major growth platforms of Northeast Asia. They include Tokaido megalopolis, Seoul-Busan growth axis, Beijing-Tianjin, Shanghai-Nanjing, Hong Kong-Guangzhou, and Taipei-Kaohsiung (Figure1). In addition, Dalian-Shenyang, Qingdao-Jinan and Fuzhou-Xiamen could become growth platforms in the future. The urgent task for Seoul is how to form networks and utilize the synergy effects arising from regional networking and integration.

¹ North Korea is currently a hindrance in establishing a unified transport system in Northeast Asia. Although no one is certain when North Korea will open up its border, we can say that North Korea has few options but to open up its territory.



Source: Kim et al. 2001. Building Infrastructure for the Facilitation of Economic Cooperation in Northeast Asia in the 21st Century: Focusing on Land Transport Linkages between Korea and China. Korea Research Institute for Human Settlements.

Figure 1. Major Growth Platforms in Northeast Asia

More specifically, Seoul can utilize its intermediate position in the largest urban corridor in the world. Along the 1,500km corridor linking Beijing, Seoul, and Tokyo (so called BESETO Mega-region), there live more than 1 billion persons (Figure 1). Six mega-urban regions with more than 5 million people exist. This corridor is the biggest urban agglomerations in the world. When trade and other institutional barriers are lowered and an integrated transport system is developed, it will function as one of the most powerful economic centers of the global economy. In sum, Seoul is located at one of the most important centers of the global economy (maybe not right now but in the near future).

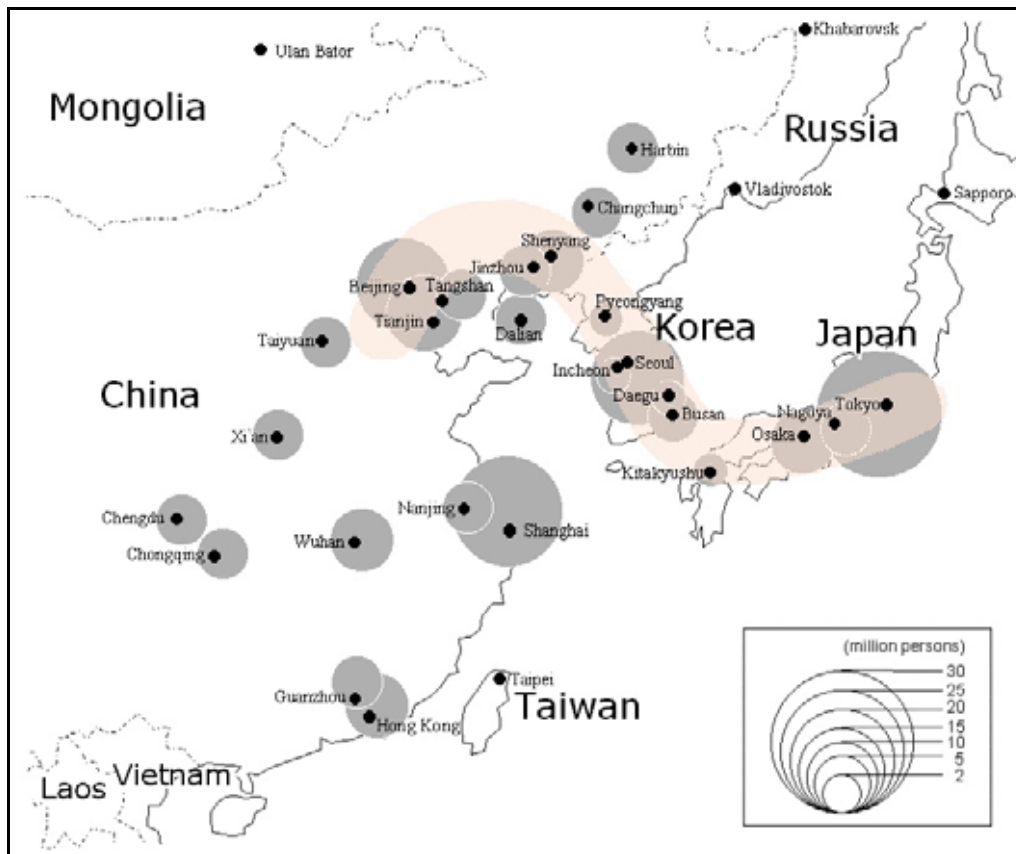


Figure 2. Urban Agglomerations and BESETO Corridor

In addition, Seoul has a competitive edge in terms of institutional and cultural mediation. Seoul is in between Tokyo and Beijing in the level of development as well as in institutional structure and cultural orientation. Although all three cities share the common cultural trait of Confucianism, the relative cultural distance and development gap between Tokyo and Beijing are much larger than those between Seoul and either Tokyo or Beijing. With such intermediate position, Seoul has a competitive edge in helping the formation of regional urban networks as well as regional economic cooperation in Northeast Asia.²

These attributes also suggest the direction that Seoul should take in its functional specialization and role differentiation. As mentioned earlier, Korea has a strong potential to become a logistics hub of Northeast Asia. This idea is, however,

² For reasons of geopolitical intermediacy and level of economic development, Korea is seen to be a natural leader in Northeast Asian regionalism drawing China and Japan together, the latter two of which may go into competition over regional hegemony in the future.

applicable to Korea as a whole rather than Seoul. An idea of a financial center is entertained. But there are doubts as to whether Korea can compete with the existing or would-be financial centers like Tokyo, Hong Kong, and Shanghai. A more promising avenue to explore is the concept of World Digital Hub (Seoul Development Institute and Nomura Research Institute, 2003). Seoul has one of the world's most advanced IT infrastructures: particularly appealing is its broadband infrastructure. Let me mention just a couple of statistics. About 92% of Seoul citizens are broadband subscribers. 22% of Koreans are classified as "early adopters" of digital goods. Mobile phone's life cycle is average 1.6 years for Korea compared with 2.5 years for Europe. Elvin Toffler said "Korea has no model to be benchmark for informatization in the world." Leveraging its world-leading IT infrastructure as well as its dynamic culture of technology related consumption, Seoul has a strong potential to be regional headquarters and R&D centers of global IT companies. To this end, the "Digital Media City" project is currently being driven by the Seoul Metropolitan Government (Seoul Metropolitan Government, 2002).

Another possibility is the cultural center of "*Hanryu*" sensation, or so called "Korean Wave", which refers to the huge popularity of Korean cultural exports through Asia. Seoul is currently the region's leader in pop culture such as Korean movies, TV dramas, music and on-line games etc. It will play an important role in the advancement of industries and society such as creating contents for the broadband age. Seoul has potential to grow into a true global center of culture, digital contents and tourism (SIBAC, 2005).

Major Challenges Facing Seoul

Although inter-city competition is inevitable, Seoul also needs a larger perspective that goes beyond the interests of the city and the nation. Open-mindedness and willingness to cooperate are essential. While these two conditions appear easy to satisfy, they are not in the context of Northeast Asia where deep-seated distrust and nationalism exist. As an example, the initiative of BESETO alliance taken by Seoul has not been actively followed up.

In 1995, Beijing, Seoul, and Tokyo signed the 'memorandum of understanding' in which they agreed to enhance inter-city cooperative relations including all types of exchanges at both public and private levels (Seoul Development Institute, 1995). However, cooperative efforts so far seem to remain largely ceremonial. No major actions yet have been taken to deepen cooperation and alliance among them. The self-

interested behavior, short-term time horizon of local leadership, insufficient Seoul's diplomatic skills and institutional capacity to manage cross-border inter-city cooperation may be reasons for such less impressive results. As a consequence, Tokyo took a similar initiative in 2000 (Tokyo Metropolitan Government 2002). The multiplicity of more or less the same initiative might contribute to the spreading of the idea but could also bring unnecessary rivalry between cities.

Moreover, the fact that all three cities are capital cities representing national interests and politics probably constrains their space of action independent from the nation-state. They cannot step far away from the parameters set by the central government of each country, which can be interpreted as an effect of a weak decentralization. This is in contrast with the existence of functioning inter-city associations in USA or Europe, where a decentralized governance system is well established.

Lessons from Seoul

The case of Seoul in the struggle to become a regional hub city is an ongoing story at the working stage. Nonetheless, it provides some important policy implications. Here, the key concepts are centrality and urban networking (Sassen 1999 and 2001). However, the reference taken for these concepts differs from Sassen's global city or other globalization thesis. In real world, I would argue that single urban hierarchy based on a hegemonic order may not be appropriate for urban networking. As I mentioned, emphasized in the case of BESETO is the concept of cooperation rather than competition. Multiple urban networks by a non-hegemonic world order is a very important factor for the successful urban networking. The more inclusive concept of centrality such as the process of constructing cultural, political and moral order is needed (for more detail information, Kim, 2002). By establishing such centrality, Seoul can contribute to building harmonious regional and global orders instead of perpetuating a hegemonic world order implicit in the globalization thesis.

In conclusion, Yes! the role of Seoul should be defined within a regional context (Northeast Asia) as well as within a global context. The question for Seoul would be how to vision itself in regional and global networks. It is necessary to conceive strategies of competition with cooperation within regional and global networks of cities. This implies the necessity of role differentiation and functional specialization of a city within regional and global networks of cities. This is because if only competition prevails, networks cannot be sustained.

World's Top 20 Busiest Ports and Airports

Rank	Port (2002)				Airport (2000)			
	Name	Container (1000 TEU)	Name	Cargo (1000 M/T)	Name	Passenger (1000)	Name	Cargo (1000 M/T)
1	Hong Kong	19,144	Singapore	335,156	Atlanta	80,162	Memphis	2,489
2	Singapore	16,941	Rotterdam	321,851	Chicago	72,144	Hong Kong	2,268
3	Busan (Korea)	9,436	Shanghai	238,606	Los Angeles	66,425	Los Angeles	2,039
4	Shanghai	8,620	South Louisiana	196,445	London	64,607	Tokyo	1,933
5	Kaoshiung	8,493	Hong Kong	192,510	Dallas	60,687	Seoul (Korea)	1,874
6	Shenzhen	7,614	Houston	161,190	Tokyo	56,402	New York	1,818
7	Rotterdam	6,515	Chiba	158,929	Frankfurt	49,361	Anchorage	1,804
8	Los Angeles	6,106	Nagoya	158,020	Paris	48,246	Frankfurt	1,710
9	Hamburg	5,374	Gwangyang (Korea)	153,447	San Francisco	41,041	Singapore	1,705
10	Antwerp	4,777	Ningbo	150,000	Amsterdam	39,607	Miami	1,643
11	Port Kelang	4,533	Ulsan (Korea)	148,412	Denver	38,752	Paris	1,610
12	Long Beach	4,524	Incheon (Korea)	146,181	Las Vegas	36,866	Louisville	1,520
13	Dubai	4,194	Busan (Korea)	143,772	Minneapolis	36,752	Chicago	1,469
14	Yantian	4,181	Guangzhou	140,395	Seoul (Korea)	36,727	London	1,402
15	New York New Jersey	3,749	Antwerp	131,629	Phoenix	36,040	Amsterdam	1,267
16	Qingdao	3,410	Kaohsiung	129,414	Detroit	35,535	Taipei	1,209
17	Bremen Bremerhafen	3,032	Tianjin	129,000	Houston	35,251	Indianapolis	1,165
18	Gioia Tauro	2,954	New York New Jersey	122,103	Newark	34,188	Newark	1,082
19	Felixstowe	2,750	Qinhuangdao	121,152	Miami	33,621	Osaka	1,000
20	Tokyo	2,712	Qingdao	120,000	Madrid	32,893	Dallas	905

Source: Korea Maritime Institute (<http://www.kmi.re.kr>)

Airports Council International (<http://www.airports.org>)

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